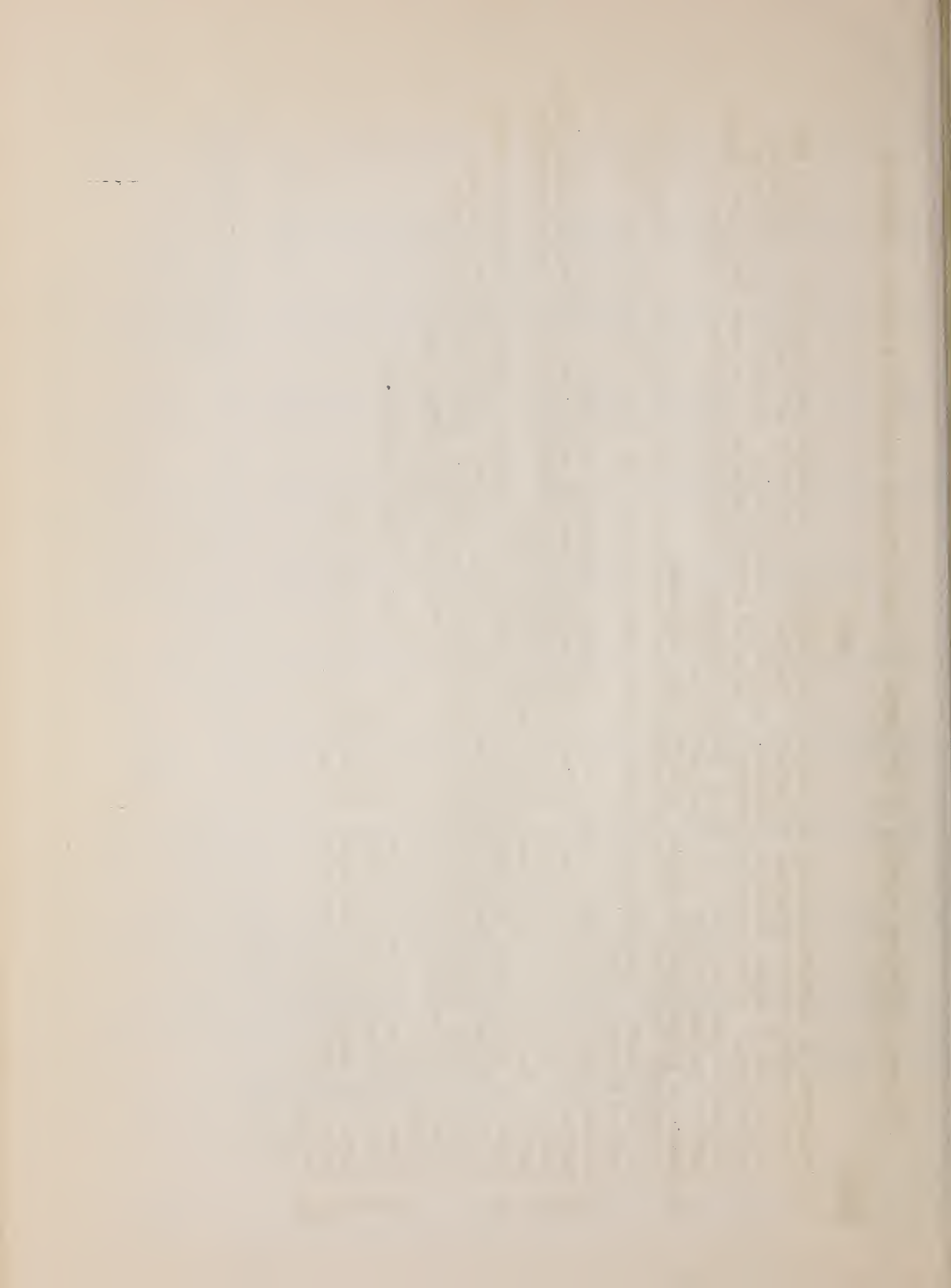


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THE DEMAND AND PRICE SITUATION

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BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

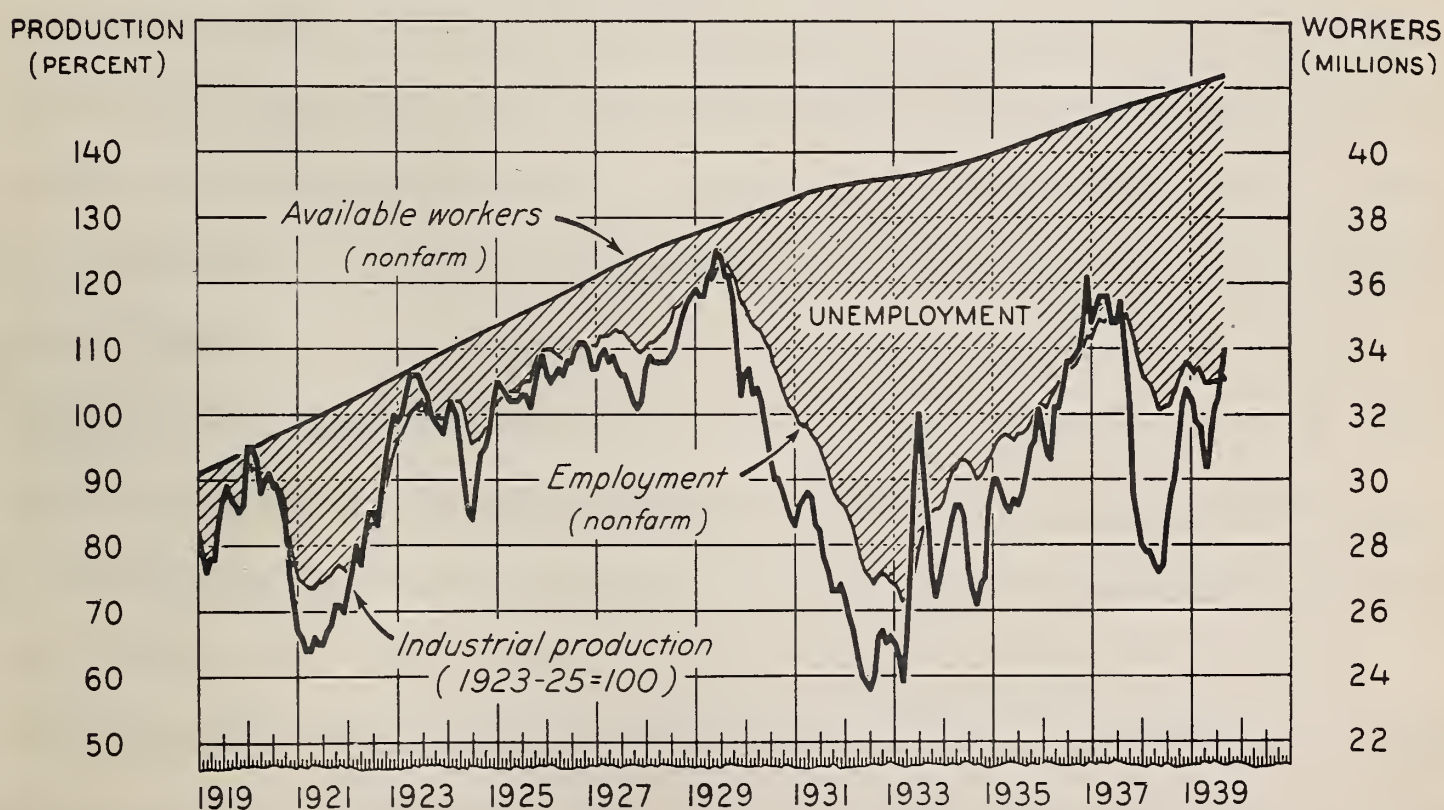
WASHINGTON, D.C.

NOVEMBER 16, 1939

: NOTE: THIS ISSUE OF THE DEMAND AND PRICE SITUATION:
: IS DEVOTED MAINLY TO SUMMARIES OF THE ANNUAL OUT-
: LOOK REPORTS FOR 1940 COVERING THE DOMESTIC AND
: FOREIGN DEMAND SITUATIONS AND THE MORE IMPORTANT
: INDIVIDUAL COMMODITIES. :

INDUSTRIAL PRODUCTION AND INDUSTRIAL EMPLOYMENT AND UNEMPLOYMENT, UNITED STATES, 1919-39

(ADJUSTED FOR SEASONAL VARIATION)



U. S. DEPARTMENT OF AGRICULTURE

NEG. 35684

BUREAU OF AGRICULTURAL ECONOMICS

INDUSTRIAL PRODUCTION IS APPROACHING THE PEAK REACHED IN JUNE 1929, BUT UNEMPLOYMENT IS STILL LARGE. THIS SITUATION REFLECTS NOT ONLY AN INCREASE IN THE NUMBER OF AVAILABLE WORKERS SINCE 1929 BUT ALSO TECHNOLOGICAL IMPROVEMENTS WHICH HAVE DECREASED LABOR REQUIREMENTS WHICH HAVE DECREASED LABOR REQUIREMENTS IN PRODUCTION.

THE TOTAL INCOME OF CONSUMERS ALSO IS LESS THAN IN 1929, PARTLY BECAUSE OF A LOWER GENERAL PRICE LEVEL. THIS LOWER LEVEL OF INCOME, PLUS WEAK EXPORT DEMAND AND LARGE SUPPLIES OF SOME COMMODITIES, HAS KEPT FARM PRICES AND INCOME WELL BELOW 1929 LEVELS.

SUMMARY

The demand for farm products is expected to be stronger in 1940 as a whole than in 1939, largely because of prospective increases in domestic business activity and consumer incomes. Export demand for some farm products will be increased, but for others will be adversely affected.

Both industrial production and consumers' income will be higher at the start of the year than they were at the beginning of 1939. There may be a temporary let-down in the first part of 1940 while production is being adjusted to the actual volume of domestic consumer demand and exports, but recovery from such a possible recession should be sufficiently early and vigorous to bring the averages for the year at least moderately above those for 1939. The net effects of the European War will be stimulating to American business, since total import requirements of the belligerent nations will be increased and a portion of the neutral nations' purchases of industrial products will be diverted to the United States. A considerable increase in the output of automobiles and other durable consumers' goods is probable, and the general improvement in business since mid-1938 should bring increasing capital expenditures by the utilities, railroads, and other industries.

The chief uncertainty in the general export demand situation is the extent to which normal shipping operations and routes will be disrupted by the war. If Great Britain and France are able to continue buying wheat, beef, butter, cotton, and other farm products from countries in the Southern Hemisphere, the possible beneficial effects of the war upon the export demand for United States agricultural commodities will be greatly reduced, whereas most of the adverse effects will remain. On the other hand, if interference

with shipping lanes is greater, the United States and Canada will be given a distinct advantage in supplying the needs of the belligerent nations.

Wholesale commodity prices probably will average at least slightly higher in 1940 than in 1939. The expected rise will be based largely on improved demand, since supplies of agricultural commodities are ample and industrial capacity generally is sufficient for a considerable increase in output. Every major war has been accompanied by rising prices, but important differences in supply and demand conditions have greatly influenced the pattern of price changes in these events. The greater preparation of the belligerent nations before war broke out in 1939 compared with 1914, the increased foreign production of many commodities, the heavier existing world supplies of some farm and industrial products, and the more rigid price controls being exercised by the warring nations, will reduce the effects on prices of the present war.

Income from farm marketings in 1940 is expected to be materially higher than in 1939, mainly as a result of the improvement in industrial activity and consumers' income. A slightly larger total volume of marketings will be disposed of at higher prices. Government price-stabilizing programs, by preventing prices from falling as far as they otherwise would have during the 1937-38 depression, prevented the subsequent improvement in business activity and consumers' income from being reflected as plainly as usual in farm prices. Since the outbreak of war, prices of several important commodities have risen above the support levels established by Government programs. Thus, during 1940 prices received by farmers may reflect changes in demand more clearly than at any time since 1937, even though prices of some important products will remain under the influence of burdensome world supplies.

A summary of the situation by commodities:

- Wheat:** The acreage seeded to wheat for harvest for 1940 may be about the same as in 1939, but yields per acre may be smaller. This may result in a crop somewhat below domestic requirements, and thereby make possible a reduction in our moderately large carry-over.
- Cotton:** Domestic cotton prices strengthened considerably during the past month. This was associated with the announcement on November 7 of a Government loan on 1939 cotton, and also with the improved domestic industrial situation and increased exports of cotton. For the season as a whole cotton consumption is expected to exceed 1939-40 world production. The resulting decline in carry-over and some possibility of a reduced 1940-41 world crop may reduce the world supply of cotton somewhat next season.
- Feed grains:** Feed grains and hay supplies are more than ample for livestock requirements except in limited areas, but supplies per animal are smaller than a year ago. Prices of feed grains are expected to be higher during the winter and spring months than a year earlier. The loan rate on 1939 corn will be 57 cents per bushel.
- Hogs:** Hog prices declined rather sharply in the last half of October and in early November. In the second week of November the average price of butcher hogs at Chicago was less than 50 cents above the low level reached in mid-August. Slaughter supplies of hogs in the 1939-40 marketing season are expected to be about 20 percent larger than in 1938-39, but the effect of this increase on prices is expected to be about offset by improved domestic and export demand for pork and lard.
- Cattle:** Prices of all grades of slaughter cattle averaged somewhat lower in October than in September. Prices of the better grades of slaughter steers were lower than in October 1938, but prices of the lower grades of slaughter cattle and of feeder cattle were higher than a year earlier. Cattle prices may average slightly higher in 1940 than in 1939, since the domestic demand for meats is expected to be stronger and the total live weight of cattle marketed probably will be slightly less than in 1939.
- Lambs:** Prices of slaughter lambs held fairly steady during October and early November at levels around \$1.00 higher than in the corresponding period of 1938. Slaughter supplies of lambs during the 1939-40 fed-lamb season (December-April) are expected to be somewhat larger than in 1938-39, but prices may average higher than in 1938-39 because of the stronger domestic demand for meats and wool.

Wool: The prospective improvement in consumer demand in the United States together with increased foreign demand for wools arising from the European war will give strong support to domestic wool prices in 1940. Stocks of wool in this country are now relatively small, mill consumption is expected to continue at a fairly high level, and a considerable increase in wool imports is probable before the 1940 domestic clip is available.

Dairy

products: Total production of manufactured dairy products for the coming year is likely to continue high but to show little change from 1938 or 1939. With the improvement in business and the general rise in commodity prices, dairy markets have strengthened, and may show further improvement in 1940 as a whole.

Poultry

and eggs: During the first half of 1940 the effect of larger supplies of poultry and eggs on prices will be at least partly offset by the effect of larger consumer incomes compared with a year earlier. Smaller supplies and larger incomes in the latter part of 1940 are expected to result in a general improvement in poultry and eggs prices compared with the similar period of 1939.

Fruits: Continued expansion in fruit supplies is expected in the next few years, and for any material improvement in prices a substantial increase of consumer purchasing power would be necessary.

Potatoes
and truck

crops: Unless yields per acre are reduced materially in 1940 the United States potato crop probably will be somewhat larger than in 1939 and larger than the average for the last 10 years, but consumer demand will be better. Total supplies of commercial truck crops for both market and manufacture are likely to be increased in 1940.

DOMESTIC DEMAND

Domestic consumer demand for farm products is expected to be considerably stronger in 1940 than in 1939. Both industrial production and consumers' income will be higher at the start of the year than they were at the beginning of 1939. There may be a temporary letdown in the first part of 1940 while production is being adjusted to the actual volume of domestic consumer demand and exports, but recovery from such a recession should be sufficiently early and vigorous to bring the averages for the year at least moderately above those for 1939.

Although the present war will differ in many respects from the World War in its influence on United States industrial conditions, its net effects are expected to be stimulating to American business in 1940. Total import requirements of the belligerent nations will be increased. England and France have adequate gold reserves and investments in the United States to finance any probable purchases for a period extending well beyond 1940. Neutral nations' purchases of many industrial products will be diverted in part to the United States as a result of the interruption of their usual sources of supply.

The expected improvement for 1940 in industrial production, consumers' income, and domestic demand for farm products takes into account these and many additional factors connected with the European War, as well as purely domestic considerations. No definitely unfavorable situation is noted in any important industry. A considerable increase in the output of automobiles and other durable consumers' goods is probable. Some increase in capital expenditures, and less cautious buying policies on the part of business men generally, are indicated by the improved price situation and other considerations.

Position of important industries

The outlook for steel is influenced by and affects prospects in many other industries, and is a very important part of the general industrial outlook. In recent years the automobile, construction, railroad, and container industries together have used about half of the steel produced in the United States. Exports are next in importance among the individual steel-consuming groups. The 1940 outlook is for improvement in all of these important steel-consuming lines with the possible exception of construction. The railroads, for example, recently inaugurated an expanded purchase program for rolling stock and steel rails.

The automobile industry in 1939 recovered substantially from the low production of 1938. However, the estimated United States output of around 3,600,000 vehicles in 1939, compared with approximately 2,500,000 in 1938, still left production lower than in any of the 3 years 1935-37. The large number of old cars which need replacement, together with higher consumer incomes, should result in increased domestic sales in 1940. Exports of automobiles and motortrucks in 1940 are not expected to decline as a result of the European War, and may even increase somewhat.

Little further gain in building construction in 1940 is expected. Residential building may be maintained somewhere near the improved level of the last 18 months. Utility construction, which has lagged behind the general recovery, should expand; the demand for electricity reached new all-time peaks in recent months. Industrial and commercial building may increase a little along with general economic recovery. Total public construction, both local and Federal, is expected to be lower in 1940 than in either 1939 or 1938. Already expenditures on Works Progress Administration projects under programs authorized before 1939 have passed the peak.

Should the general level of business and of consumers' income increase as much in 1940 as is now anticipated, the output of textiles as a whole may hold at about the high level of 1939, but probably will not contribute much toward further recovery as it did in 1936 and again in 1938-39. Cotton-textile mill activity in 1939 about equalled that of the all-time peak years of 1927 and 1937. Because of the war some foreign textile business may be diverted to domestic mills.

Demand for minerals in 1940 will be stimulated both by increased domestic industrial activity and by larger exports. Already some long unused coal mines have been brought back into production, partly in response to increased export demand. Petroleum output also has been increased. Despite more rigid controls by belligerents and larger developed reserves outside the United States than in 1914, war demands probably will bring some added business to domestic producers.

Improvement should be rather general in the many miscellaneous industries that produce goods for consumption, although all will not share equally. Those in which costs and prices can be held down should be able to realize sizeable increases in volume as consumer incomes rise. Sales of miscellaneous goods to neutral countries will be stimulated by the cutting off of their usual sources of supply by the war. Modernization of industrial plants in response to the better demand prospects is likely to call for expanded installations of new machinery and equipment.

The net contribution of the Federal Government to consumer purchasing power is expected to decline in 1940. Reductions in Public Works Administration expenditures and in those of the Works Progress Administration will, however, be partially offset by increased expenditures for military and naval defense.

Consumer incomes due for larger increase relative to production gains

Consumer incomes fluctuate less violently than industrial production and, because of the carry-over effects of business conditions, changes in income lag behind changes in industry. Thus, the recovery of over 20 percent in industrial production in 1939 was accompanied by a gain of only about 5 percent in nonagricultural income. But in 1940 consumer incomes will be affected both by the expected further recovery in business and by the sharp improvement which occurred in 1939, and the gain in incomes should be considerably greater, relative to the extent of business improvement, than it was in 1939.

FOREIGN DEMAND

Export demand for the products of farms of the United States is expected to be somewhat greater, on the whole, in 1940 than in 1939, but some products probably will encounter severely curtailed foreign markets.

The principal factor in the export situation will be the present war in Europe. The fullest possible use will be made of agricultural resources

within the belligerent countries. Producers will be encouraged to concentrate on products that give the most efficient food yield, in order to keep the dependence on imports to a minimum. Although strenuous efforts will be made to permit essential consumption of basic foodstuffs, the use of commodities regarded as luxuries will be curtailed.

The principal United States farm commodities for which effective export demand is expected to be greater in 1940 than in 1939 are lard, pork and certain canned and dried fruits. Those for which it probably will be less are fresh fruits, tobacco, and feeds. Prospects for wheat and cotton are uncertain. In general, importing countries in the area of hostilities will prefer products in their most "concentrated" forms, in order both to save on shipping costs and to conserve manpower. Thus, they will favor imports of slaughter products over feedstuffs, dried fruit over fresh fruit, and possibly textiles over textile fibers.

These differences in the trends of export demand by commodities will be accentuated by the foreign situations that confront our leading export products in the matter of supplies and competition from other exporting nations. Foreign stocks of wheat are extremely high. The United Kingdom has enough tobacco on hand for 2 years' consumption requirements and is much less interested in maintaining these stocks than during peace time. Foreign production of most fruits has been large during the current season and our fruit exports to the Scandinavian countries will suffer from the British blockade. Argentina will furnish vigorous competition in a European feedstuffs market that will be greatly reduced both by the British blockade and by lower foreign livestock numbers. On the side of the commodities for which there is a wartime preference, Baltic competition with our pork in the United Kingdom market has been completely shut off. Furthermore, lard imports may be preferred not only over feed imports but also over imports of oilseeds and vegetable oils.

The situation for cotton is mixed. Belligerent industrial countries in the area of hostilities will doubtless consume less United States cotton than if there had been no war, although they may consume more than in 1939. Furthermore, foreign stocks of United States cotton are extremely low, so that foreign consumption will be reflected in export demand more directly than normally. Japanese purchases of United States cotton probably will be above the low level of last year. Chinese and British Indian crops are small and some increase is probable in Japanese textile exports to markets usually supplied by European countries. On the other hand, both supplies of cotton textiles in Japan and stocks of raw cotton in Shanghai are large and there may be some reduction in the demand for Japanese textiles by China and India.

The chief uncertainty in the general export-demand situation is the extent to which normal shipping operations and routes will be disrupted by the blockades of the belligerent nations. If Great Britain and France are able to continue buying wheat, beef, butter, cotton, and other farm products from their dominions and other countries in the Southern Hemisphere, the

possible beneficial effects of the war upon the export demand for United States agricultural commodities will be greatly reduced, whereas most of the adverse effects will remain. On the other hand, if the efforts of Germany to interfere with the commerce of its opponents are as successful as some observers have predicted, the United States as well as Canada will be given a distinct advantage. Even though actual shipping losses are held to a minimum, if Great Britain and France find it necessary to give protection to shipping lanes by convoys covering long distances, the shortage of naval vessels for this purpose and the great expense entailed, will give a considerable relative advantage to North American countries in supplying foodstuffs to these warring nations.

WHOLESALE PRICES

Wholesale commodity prices probably will average at least slightly higher in 1940 than in 1939. Gains will be largest in prices of raw materials, but prices of processed goods also will rise. The expected rise will be based largely on improved demand, since supplies of agricultural commodities are ample and industrial capacity generally is sufficient for a considerable increase in output. The expected increase in demand for most farm products will be domestic rather than foreign, whereas for many industrial and mineral products increased export as well as domestic demand will be important. The demand for some products will be adversely affected by the war.

Every major war has been accompanied by rising prices, but important differences in supply and demand conditions have greatly influenced the pattern of price changes in these events. The greater preparations of belligerents before war broke out in 1939 compared with 1914, the increased foreign production of many commodities, the heavier existing world supplies of some farm and industrial products, and the more rigid price controls being exercised by the warring nations, will reduce the effects on prices of the present European War.

Wholesale prices of nearly all the principal groups of commodities were lower in August 1939 than during the low month of industrial production in May 1938. Ordinarily, prices of raw materials advance early in periods of industrial recovery, and prices of processed goods respond later. Thus, the continued decline in wholesale prices during the period of rising business activity up to the time of the outbreak of war in Europe (from May 1938 to August 1939) was not according to the usual tendencies. This largely explains the cautious buying policies which had been rather generally maintained until the outbreak of war in Europe. Inducements to buy ahead were lacking while prices were persistently drifting downward. Thus, when war was declared and prices turned about, there was more room for improvement than if previous buying policies had been less conservative. The better domestic business prospects probably would have resulted in improvement in the commodity price level in the near future even if there had been no war.

PRICES RECEIVED AND PAID BY FARMERS

Export demand for some foods will increase as the European War continues. This, together with the expected improvement in domestic demand, should result in strengthening the general level of prices to be received by farmers in 1940 compared with the average for 1939. But price advances will be held in check by the existing adequate supplies and by expected increases in production of some food products.

Government price-stabilizing programs, by preventing prices from falling as far as they otherwise would have during the 1937-38 depression, prevented the subsequent improvement in business activity and consumers' income from being reflected plainly in farm prices. Since the outbreak of war, prices of several important farm commodities have risen above the support levels established by Government programs. Thus, during 1940 prices received by farmers may reflect changes in demand more clearly than at any time since 1937 even though prices of some important farm products will remain under the influence of burdensome world supplies and possible lower consumption in warring nations.

Prices paid by farmers for goods used in living and production will be higher in 1940 than in 1939. The increase in such prices, however, probably will be less than in prices of products that farmers sell. As a consequence, the ratio of prices received to prices paid by farmers will increase. This ratio in 1939 was the lowest in 5 years.

FARM INCOME

Income from farm marketings in 1940 is expected to be materially higher than in 1939, mainly as a result of the improvement in industrial activity and consumers' income. Government payments to farmers in 1940 may be about the same as in 1939, when they were considerably larger than in any previous year.

The recent advance in farm prices has greatly improved income prospects for 1939, and income from farm marketings for the year may be slightly larger than for 1938. Government payments in 1939 will be about \$300,000,000 more than in 1938.

The improvement in income in 1940 may be more pronounced for meat animals, dairy products, poultry, and fruits and vegetables than for wheat, cotton, and tobacco. Some commodities may also benefit from increased foreign demand, particularly hogs and dairy products.

Marketings of livestock and livestock products in 1940 will probably be somewhat larger than in 1939 because of the prospective increase in supplies of eggs and hogs. However, with a material increase in consumers' income in prospect, the increased supplies are likely to sell at prices higher than in 1939 and income from livestock and livestock products may be nearly as large as in 1937. The production of crops will depend partly on unpredictable growing conditions and, while the increase in

income from crops may be relatively as large as for livestock, the larger domestic and world supplies of some important crops may hold income from them below 1937 levels. A lower income from crops than in 1937 will be partially offset by larger Government payments, but total farm income, including Government payments, may not equal that for 1937, when income was the highest for any year since 1929.

COTTON

Domestic cotton prices advanced about $\frac{1}{2}$ cent per pound during the past month, with the average for Middling 7/8" in the 10 markets on November 13 of $9\frac{1}{4}$ cents also about $\frac{1}{2}$ cent higher than a year earlier. Most of the net advance occurred following the announcement on November 7 that a Government loan would be made to producers on their 1939 crop. The loan, which was set at from 8.3 to 8.9 cents, basis Middling 7/8" on a gross-weight basis, compared with a flat rate of 8.3 cents for the same quality last year. A further increase in the high rate of domestic consumption, the continued sharply increased exports of American cotton compared with the low level of a year earlier, and a further increase in domestic business activity also contributed to the price advance.

Domestic cotton consumption for the current season is now expected to be well above a year earlier and foreign consumption of American seems likely to be comparatively little different from the low level of last season. Foreign consumption of non-American cotton is expected to be somewhat less than last season if the war continues.

On the basis of the consumption prospects and the present estimates of the 1939-40 crop, the world carry-over of all cotton on August 1, 1940 is expected to be only a little smaller than the exceptionally large carry-over at the beginning of the present season. The revised estimated world carry-over of all cotton as of August 1, 1939 of 21,460,000 bales was 50 percent larger than the average for the 10 years 1928-37, and the second largest on record by a substantial margin. Of this total, 14,030,000 bales were American cotton, which was the largest carry-over of American on record and 69 percent larger than the 10-year average. Most of any decrease which may occur in the world carry-over on August 1, 1940 seems likely to be in American cotton.

Should the World War continue, foreign cotton production in 1940-41 may again decline somewhat. If American farmers plant the same acreage in 1940 as in 1939, and yields are equal to the average of the last 5 years, a considerably smaller crop than the one now being marketed will result. It is not unlikely, therefore, that the world supply of all cotton in 1940-41 will be somewhat smaller than the record or near-record supply of almost 50 million bales in each of the last 3 seasons.

WHEAT

Available information indicates that the acreage seeded to wheat for harvest in 1940 will be about the same as was seeded for harvest in 1939. Conditions for seeding and starting wheat have been unfavorable over

practically the entire winter-wheat area. Even though higher wheat prices followed the declaration of war in Europe, farmers generally did not plan extensive increases in seedings in the important winter wheat States.

If the total wheat seedings for harvest in 1940 are unchanged from the 64.6 million acres seeded last year, and average yields are obtained, production will total about 760 million bushels. This would be about 75 million bushels more than the average domestic disappearance of 685 million bushels during the last 10 years. Unless unusually favorable growing conditions in the winter wheat States exist for the remainder of the growing season, however, and conditions for spring wheat are also favorable, yields per seeded acre for all wheat will be below average. This might result in a reduction at the close of the season of the moderately large carry-over in the United States.

The world wheat acreage in 1940 is not likely to be greatly different from the acreage this year. Average yields on this acreage would again result in a crop almost equal to prospective world consumption. A crop of this size would not substantially reduce the large world-carry-over stocks. Unless world wheat acreage is reduced or yields per acre are small, large world supplies will continue during the 1940-41 season and any improvement in world wheat prices will depend upon improvement in demand or upon a rise in the world price level.

Wheat prices in the United States are expected to continue to average relatively high compared with prices in other surplus-producing countries so long as the Government loan and export subsidy programs continue and world prices remain low. The large quantity of wheat being placed under Government loan is operating to support domestic prices. Current wheat prices in the United States are slightly higher than in mid-September, influenced by continued drought conditions in the winter wheat States.

World wheat supplies are now the largest on record. Estimated at 5.4 billion bushels, they are 57 percent larger than in 1914. Consumption, on the other hand, totaling about 4.0 billion bushels, is only about 30 percent larger than in 1914. Compared with the World War period, the United States now faces greatly increased competition, particularly in the important United Kingdom market. United States wheat exports at the beginning of the World War were large as a result of short crops in Canada and Australia and the lack of strong competition from Argentina. Prices did not advance materially until after the war had been in progress for 2 or 3 years and then only when world production was small and the general price level was rising.

RICE

Supplies of rice for the 1939-40 season are about 5 percent larger than supplies of last season. This increase is largely the result of the increase in the supply in the Southern States, there being only a slight increase in California. Demand for rice from present indications is not likely to be materially increased. Some increase in domestic utilization and possibly in shipments to insular possessions may result from increased employment

and a broadening in domestic demand. Export trade, however, may be no greater than in 1938-39.

As a result of current large supplies, relatively large stocks may again remain at the close of the 1939-40 season unless domestic utilization increases as a result of relatively low prices or export movement is larger than is now indicated.

Rice markets advanced sharply early in September under the influence of speculative activity following the outbreak of the war in Europe but later declined as a result of a slack demand at the higher prices. While higher ocean freights and increased rates for war risk insurance place United States exporters in a more favorable position than Oriental shippers for exports to Cuba and Central and South American countries, this advantage may be offset by increased competition from Oriental rice in Europe. The average United States farm price advanced from 53 cents in August to 88 cents in September, then declined to 75 cents for October. In October 1938 the average farm price was 64 cents per bushel. The rice crop was estimated at 52,204,000 bushels on November 1 or about 1 million bushels more than was indicated on October 1.

CORN AND OTHER FEED GRAINS

Supplies of both forage crops and feed grains in the United States are again above average and, except in limited areas, are more than ample to meet livestock requirements. Excluding the quantity of corn now under seal because of Government loans, the remaining supply is only slightly larger than the 1928-32 average in total quantity and in pounds per unit of livestock to be fed. The 1939 hay supply per animal is large, but, with requirements increased by poor pastures, the carry-over next spring is not expected to be above the average during the pre-drought years 1928-32.

Livestock numbers are expected to show an increase of about 7 percent during 1939 and some further increases in 1940. Present livestock, if fed at the rates that prevailed in pre-drought years, would consume about as much feed grain as was produced this year, and the total stocks of feed grain next July would be about the same as the holdings of last summer. Unless grain yields per acre are unusually high, it seems probable that supplies of feed grain per animal unit will be somewhat further reduced next season, and the livestock-feed price ratio is not expected to be so favorable for livestock producers as it has been for the past 2 years.

Feed-grain prices during the winter and spring months are expected to average a little higher than a year earlier, but conditions which would cause a substantial advance from present levels are not expected.

Exports of feed grain are expected to be relatively small in 1940. Exports of livestock products are expected to show some increase in 1940, but are not likely to be large enough to have any material effect on the livestock situation in this country. Some improvement in the situation for

feed-grain producers is probable, however, as an indirect result of the expected increase in the incomes of domestic consumers, for such an increase would improve the domestic demand for livestock products and increase the prices that livestock feeders could pay for grain.

Corn and barley prices were practically unchanged during October, while the price of oats advanced about 5 cents per bushel. The prices of corn and barley at Chicago were about 6 cents higher than a year ago, and oats 13 cents higher.

The November 1 estimate of the corn crop was 2,591 million bushels, or 59 million bushels more than was indicated October 1. The total supply of feed grain was increased nearly 2 million tons by changes in the November crop estimates. A loan rate of 57 cents per bushel will be available on 1939 corn to eligible producers in the commercial corn-producing area.

HOGS

Consumer demand for hog products in the United States in 1939-40 will be stronger than in 1938-39. Stronger foreign demand for pork and lard in 1939-40 also is in prospect as a result of the effects of the European war upon European supplies. The expansion in pork exports is expected to be greater than the increase in lard exports.

But the effects on hog prices of the improvement in domestic and foreign demand probably will be offset largely, if not wholly, by the increase in the supplies of hogs for slaughter during 1939-40. Present indications are that prices for hogs will average lower than a year earlier in the first half of the 1939-40 marketing year and higher than a year earlier in the last half of the year.

The number of hogs slaughtered under Federal inspection in the present hog-marketing year, October 1939-September 1940, probably will be about 20 percent greater than in the 1938-39 marketing year. Slaughter in the present year may be a little larger than the pre-drought (1929-33) average. Average weights of hogs marketed probably will continue relatively heavy.

In view of abundant feed supplies and the prospects for a hog-corn ratio about average or somewhat above average, a further increase in the number of pigs raised is expected in 1940. There is little likelihood, however, that the increase in the pig crop in 1940 will be anything like so great as that which occurred in 1939. The fact that a considerable part of the 1939-40 corn supply will be held under loan or held by the Government will be an important factor tending to prevent a large increase in production in 1940.

Marketings of hogs increased sharply in October. Federally inspected slaughter for the month totaled 3,545,000 head, which was about 23 percent larger than in September and 7 percent larger than in October last year. The

average weight of hogs at 7 markets decreased seasonally in October, but the average weight for the month of 236 pounds was 12 pounds heavier than a year earlier.

Hog prices strengthened during the middle of October but declined rather sharply in the last half of the month and in early November. At Chicago prices of butcher hogs averaged about \$6.45 for the week ended November 11. This was 50 cents below the average for the first week of October and only about 50 cents above the low level reached in mid-August. In the corresponding week of November 1938 the average price of butcher hogs at Chicago was about \$7.70.

BEEF CATTLE

Total slaughter of cattle and calves in 1940 is expected to be somewhat smaller than in 1939. Steer slaughter probably will show little change. But marketings of breeding stock in the Western States, where cattle numbers have been sharply curtailed since 1934, are expected to be reduced if feed crop and range conditions are near average next year.

Cattle numbers are expected to be about 2 million head larger on January 1, 1940 than a year earlier. Most of the increase during 1939 has taken place in Minnesota, Iowa, and Missouri, and in States east of the Mississippi River. In the last-named area, numbers in early 1940 will be the largest on record.

With abundant supplies of feed grains in the central and eastern Corn Belt and favorable returns from cattle feeding during the past season, the number of cattle fed in the Corn Belt this winter is expected to be larger than in 1938-39. Cattle feeding in the Western States probably will be on a smaller scale than last season, since the poor range and pasture conditions of last summer have resulted in a heavy movement of Western cattle eastward, and feed grain supplies in the West are smaller than a year earlier.

Marketings of fed cattle during the late winter and early spring in 1940 are likely to be larger than the relatively small marketings of that period in 1939. But the number of such cattle marketed during the summer and fall next year may not be greatly different from the number marketed in that period this year.

Cattle prices may average slightly higher in 1940 than in 1939, since the domestic demand for meats is expected to be stronger and the total live weight of cattle marketed probably will be slightly less than in 1939. Relatively high prices for hides also will be a factor tending to support cattle prices. On the other hand, total meat supplies in 1940 will be larger than in 1939, chiefly because of the increase in hog marketings in prospect. With relatively large supplies of fed cattle and

some reduction in marketings of cows and heifers, the spread between the prices of the upper and lower grades of slaughter cattle probably will continue to be comparatively narrow in 1940.

Slaughter supplies of cattle and calves increased seasonally in October and also were larger than in October 1938. Federally inspected slaughter of cattle for the month totaled 893,000 head, compared with 880,000 head in September and 884,000 head a year earlier. Inspected calf slaughter, totaling 482,000 head, was about 13 percent larger than in September and 2 percent larger than during October last year.

Prices of all grades of slaughter cattle averaged slightly lower in October than in September. There was some tendency for prices of steers to weaken during the middle of October, but the average price of good grade beef steers at Chicago for the week ended November 4 was \$9.70, the same as a month earlier although about 25 cents lower than in the corresponding week of 1938. Prices of feeder cattle tended to advance during most of October and in the first week of November. The average price of stocker and feeder steers at Kansas City for the week ended November 4 was \$8.15, or about 25 cents higher than a month earlier and 50 cents higher than a year earlier.

LAMBS

Present indications are that the number of lambs fed in the Corn Belt in the 1939-40 feeding season will be materially larger than in the 1938-39 season. The increase in the Corn Belt, however, will be partly offset by some reduction in the number fed in the Western States. In the Corn Belt area east of the Missouri River, abundant feed supplies will be an important factor in the increase in lamb feeding. But feed production in the western region is considerably less in 1939 than it was in 1938.

Prices of lambs in the 1939-40 fed-lamb marketing season (December-April) may average higher than in the 1938-39 season. Slaughter supplies of lambs in the 1939-40 season (December-April) are expected to be somewhat larger than in 1938-39. But the effects of the increase in supplies upon prices will be offset or more than offset by improvement in consumer demand for meats and higher prices for wool obtained from slaughter lambs.

Marketings of sheep and lambs continued seasonally large during October. Federally inspected slaughter for October totaled 1,585,000 head, compared with 1,635,000 head in September and 1,638,000 head in October last year. Marketings of fed lambs increased materially during October while slaughter supplies of range lambs decreased.

Prices of slaughter lambs were steady to slightly lower during October and in the first week of November. The average price of good and choice slaughter lambs at Chicago for the week ended November 4 was about \$9.45, compared with \$9.55 a month earlier and \$8.45 in the corresponding

week of 1938. Prices of feeder lambs also held about steady during October. At Omaha prices of good and choice feeding lambs averaged about \$8.40 for the week ended November 4, or slightly lower than the average for the first week of October but about 90 cents higher than the average for the corresponding week of 1938.

WOOL

The prospective improvement in consumer demand in the United States together with increased foreign demand for wool arising from the European War will give strong support to domestic wool prices in 1940. Wool prices rose approximately 50 percent in September, however, and it may be that much of the anticipated stronger domestic and foreign demand has already been reflected in wool prices. The quantity of Australian and New Zealand wools released for export to neutral countries will be an important factor affecting wool prices in the coming year.

Mill consumption of wool in the United States in the first 9 months of 1939 was almost 50 percent larger than in those months last year and was much larger than the average of recent years. Consumption for the entire year 1939 is likely to be larger than in any recent year except 1935. Prospects are favorable for a continuation of a relatively high level of mill consumption in 1940. The weekly rate of mill consumption in September 1939 was slightly higher than in August and was 27 percent higher than that of September 1938.

Stocks of apparel wool held by United States dealers and manufacturers, including wool afloat, totaled 244 million pounds, grease basis, on September 30. Such stocks were about 77 million pounds smaller than a year earlier and were smaller than September 30 stocks in any of the last 5 years.

Imports of apparel wool into the United States in the first 9 months of 1939 totaled 61 million pounds, compared with 18 million pounds in the same months of 1938. Because stocks of wool in this country are now relatively small, and mill consumption is expected to continue at a fairly high level, a considerable increase in wool imports probably will occur before the 1940 domestic clip is available.

Total Southern Hemisphere supplies of wool for the 1939-40 season are expected to be smaller than in 1938-39 but may be larger than average supplies for the 5 seasons 1933-34 to 1937-38. The South African wool clip, which is almost entirely fine wool, will be sold in the open market.

A sharp decline in trading in the Boston wool market in October was accompanied by price declines of 1 to 3 cents per grease pound on most grades of wool. But prices at Boston in the first week of November were generally 10 to 15 cents a pound, grease basis, higher than on September 1. Wool prices declined in foreign markets in October but quotations in most markets were largely nominal.

DAIRY PRODUCTS

Increases in the number of milk cows in the next 2 years are expected to be more rapid than in the last 2 years. The number of young stock on farms is more than enough to provide for normal replacements to dairy herds in 1940 and 1941. The number of milk cows increased 1 percent in 1938, and probably an additional 1 percent in 1939.

The production of feed grains and the production of hay in 1939 are somewhat less than a year earlier, but relatively large stocks were carried over from the preceding year. Supplies of feed grains and hay per animal unit for the 1939-40 feeding season are somewhat less than a year ago but decidedly above average.

During the 1939-40 winter feeding season, milk production is expected to be about as large as the heavy winter production a year earlier. As far as can be foreseen at present, it seems probable, that, with increases in the number of cows, the trend in milk production will be gradually upward, as long as feed supplies per animal unit are relatively high.

With the improvement in business, some increase in consumption of fluid milk and cream is expected. Total production of manufactured dairy products for the coming year is likely to continue high but to show little change from 1938 or 1939.

Prices of dairy products were unusually low during last summer because of the relatively large supplies of dairy products (production plus stocks) and the relatively low level of all commodity prices. With the improvement in business and the general rise in commodity prices, dairy markets have strengthened.

Prices of dairy products have shown more than the usual seasonal increase since midsummer, and in the case of the principal manufactured products prices in October and early November were the highest since the early part of 1933.

Consumption of butter in September, exclusive of that distributed for relief, was 3 percent larger than in September 1938. Retail prices in September were also higher. Apparently consumer expenditures for butter were about 8 percent higher than a year earlier, and after allowing for seasonal changes, about 7 percent higher than in August and also the highest for any month in 1939. With the improvement in business and prices, it is expected that consumer expenditures during the coming winter for butter and all dairy products combined will be higher than a year earlier.

POULTRY AND EGGS

Supplies of poultry and eggs will be larger than a year earlier during the remainder of 1939 and the first half of 1940, but their effects on prices will be at least partly offset by the larger consumer incomes.

During the latter part of 1940 supplies may be somewhat smaller than in 1939. This decrease, together with larger consumer incomes, are expected to result in general improvement of poultry and egg prices in the latter part of 1940.

The feed-egg ratio at Chicago was much more favorable to poultry producers in October than in September but was less favorable than during October of last year or than the 1928-37 average for October. The relationship between feed and egg prices is expected to continue less favorable to producers than a year earlier during the remainder of 1939 and the first half of 1940, and possibly less favorable than the 1928-37 average.

Because of the unfavorable feed-egg ratio, hatchings in 1940 are expected to be smaller than the large hatch of 1939.

Laying flocks are expected to continue somewhat larger than a year earlier during the first half of 1940 but may be smaller than in 1939, in the latter part of that year. Egg production per hen is expected to continue well above the 1928-37 average during 1940 and about the same as in 1939. Consequently, total egg production during the first half of 1940 will probably be slightly larger than a year earlier but may be somewhat smaller than in 1939 in the last few months of 1940.

Storage stocks of poultry in early 1940 will be larger than a year earlier and marketings of fresh-dressed poultry may be slightly larger. Marketings during the latter part of 1940 are expected to be smaller than in 1939 because of the prospective smaller hatch.

As a result of the very large production of turkeys this year, prices will be lower for the crop of 1939 than for the crop of 1938. Large increases in turkey production such as occurred this year have invariably been followed by recessions in production. Such a recession is to be expected in 1940.

POTATOES

An increase of about 100,000 acres or 3 percent in the United States potato acreage is in prospect for 1940. On the basis of this increased acreage and yields equal to the average of the last 3 seasons, a crop of 384 million bushels would be produced. Such a crop would be about 23 million bushels or about 6 percent larger than the 1939 harvest and 12 million bushels or 3 percent greater than the recent 10-year average crop.

The acreage in the commercial areas of the early and intermediate States probably will be increased 10 percent, and if average yields are obtained production would be increased materially over 1939. The crop in the intermediate States, particularly, would be greatly expanded since yields in this area in 1939 were substantially below average because of drought. In the late States the 1940 acreage probably will be increased only about 3 percent.

As of November 1 the late 1939 potato crop was indicated to total 288 million bushels or approximately the same as a year earlier but about 13 million bushels less than the recent 10-year average. A slight decrease in production this season in the central late States is about offset by a slight increase in the western late areas. In the east late supplies are about the same as in 1938.

Although total late potato supplies this season are about the same as last year, there was a sharp reduction in the intermediate crop, the marketing of which immediately precedes and overlaps to some extent the marketing of the late crop. Total market supplies of potatoes this fall, therefore, have been somewhat smaller than in 1938. These smaller supplies together with rising consumer purchasing power have resulted in market prices of potatoes somewhat higher this fall than a year earlier. Prices in eastern markets, particularly, have been higher. Higher prices have been received for most of the 1939 crop of potatoes marketed to date and are largely responsible for the increased prospective plantings in 1940.

TRUCK CROPS

The total supply of commercial truck crops for market in 1940 probably will be slightly larger than the record large supply available in 1939. Increased consumer-purchasing power in 1940, however, probably will result in slightly higher prices of these crops as a group and a larger total cash income to producers.

Because of somewhat higher prices received in 1939 for such crops as snap beans, beets, cabbage, cantaloups, carrots, cauliflower, celery, cucumbers, eggplant, peppers, tomatoes and watermelons, the United States acreage of these crops in 1940 probably will be increased slightly over that harvested in 1939. Decreases are probable, however, in the acreage of lima beans, lettuce, and green peas. The total onion acreage in 1940 probably will be about the same as in 1939.

Although the total acreage planted to fall truck crops is usually small relative to the total for the country as a whole, it is noteworthy that the fall plantings this season are increased about 5 percent over last year. The acreage of fall and early cabbage, fall carrots, cauliflower, peppers and tomatoes, and early lettuce and onions is larger than in the previous season. Only the acreage of fall snap beans, celery, eggplant and spinach is smaller than a year earlier. The United States acreage of asparagus available for harvest in 1940, for both market and processing combined, is indicated to be about 6 percent greater than in 1939.

The winter supply of tomatoes for export to the United States from Cuba is expected to be about the same as last year, but that of lima beans probably will be 25 percent smaller. Shipments of winter vegetables from Puerto Rico are expected to be increased sharply over those of last winter.

Production of most truck crops for canning or manufacture in 1940 probably will be increased sharply over the relatively small output in 1939.

Stocks of most canned vegetables at the beginning of the 1940 season are expected to be reduced materially below the large carry-overs in 1939.

FRUITS

Consumer incomes in the United States are expected to be higher in 1940 than in 1939. The resulting increase in the domestic demand for fruits will be at least partly offset by decreased foreign demand. Large supplies of fruits are available this year in the major importing countries, and war conditions are not favorable to exports to Europe.

The average combined production of all fruits during the next 5 years (1940-44) probably will be larger than the average for the 5-year period, 1934-38. Production during the 1939 season is indicated to be well above the 1934-38 average.

During the next 5 years significant increases are expected in the production of grapefruit, oranges, and lemons. Moderate increases are anticipated for peaches, pears, and cherries; and grape production probably will increase slightly. The trend in apple production is expected to continue downward at a moderate rate. Dried prune production probably will decrease moderately during the next few years. No significant changes are likely to occur in the average production of other fruits.

Prices of fruits in general have been at relatively low levels for several years, and it is apparent that as supplies continue to increase it will be increasingly difficult to dispose of the larger quantities at prices satisfactory to the growers unless there is a marked improvement in the level of consumer purchasing power.

Economic trends affecting agriculture
Index numbers: Indicated base period = 100

Year and month	Indus- trial produc- tion	Con- struction contracts awarded	Fac- tory employ- ment	Fac- tory pay- rolls	Income of in- dustrial workers	Volume of agri- cultural exports	Whole- sale prices of all commod- ities	Retail food prices	Prices re- ceived by far- mers	Prices paid by far- mers	Ratio of prices received to prices paid	Cash income from farm mar- ketings
Base period	1923-25	1923-25	1923-25	1923-25	1924-29	1910-14	1910-14	1913	1910-14	1910-14	1910-14	1924-29
1929	119	117	106	110	107	139	166	146	153	95	104	
1930	96	92	92	89	88	126	158	126	145	87	83	
1931	81	63	78	68	67	107	130	37	124	70	58	
1932	64	28	66	47	46	95	108	65	107	61	43	
1933	76	25	73	50	48	96	105	70	109	64	49	
1934	79	32	85	64	61	109	117	90	123	73	57	
1935	90	37	91	74	69	117	128	108	125	86	63	
1936	105	55	99	86	80	118	130	114	124	92	74	
1937	110	59	109	102	94	126	135	121	130	93	80	
1938	86	64	90	78	73	115	125	95	122	78	70	
1938- July	83	59	85	71	69	115	127	95	123	77	83	
Aug.	88	66	89	77	72	114	124	92	122	75	72	
Sept.	90	78	92	82	75	114	125	95	121	79	72	
Oct.	96	82	92	84	76	113	124	95	121	79	67	
Nov.	103	96	93	84	78	113	123	94	121	78	69	
Dec.	104	96	94	87	80	112	125	96	120	80	68	
1939- Jan.	101	86	92	84	80	112	123	94	120	78	68	
Feb.	99	73	94	86	73	112	122	92	120	77	60	
Mar.	98	69	94	88	79	112	121	91	120	76	64	
Apr.	92	67	94	86	75	111	121	89	120	74	64	
May	92	63	93	85	75	111	121	90	120	75	65	
June	98	63	93	86	80	110	121	89	120	74	60	
July	101	67	94	84	80	110	121	89	120	74	62	
Aug.	103	73	96	90	83	109	119	88	119	74	71	
Sept.	111	79	100	94	85	115	125	98	122	80	79	
Oct.	120					115		97				

Continued

Economic trends affecting agriculture - Continued

NOTES:

- 1/ Federal Reserve Board, adjusted for seasonal variation.
- 2/ Bureau of Labor Statistics, without seasonal adjustment. Revised September 1939.
- 3/ Adjusted for seasonal variation. Includes factory, railroad, and mining employees. Revised October 1939.
- 4/ Foreign Agricultural Relations, July 1909-June 1914 = 100, adjusted for seasonal variation.
- 5/ Bureau of Labor Statistics, 1926 = 100, converted to 1910-14 = 100.
- 6/ Bureau of Labor Statistics, 1923-25 = 100, converted to 1913 = 100.
- 7/ August 1909 - July 1914 = 100.
- 8/ Adjusted for seasonal variation.
- 9/ Preliminary.

